

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Wakeshma	County Kalamazoo
Fiscal Year End March 31, 2007	Opinion Date 8/8/07	Date Audit Report Submitted to State August 22, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

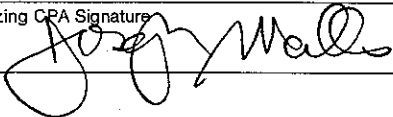
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.	Telephone Number (269)381-4970		
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 	Printed Name Joe Walls	License Number 1101013696	

Township of Wakeshma
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Wakeshma, Michigan**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Wakeshma, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Wakeshma, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Township of Wakeshma, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 12 through 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

August 8, 2007

BASIC FINANCIAL STATEMENTS

Township of Wakeshma
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 113,499
Receivables, net	<u>20,043</u>
Total current assets	133,542
Noncurrent assets - capital assets, net of accumulated depreciation	<u>28,970</u>
Total assets	<u>162,512</u>
LIABILITIES	
Current liabilities - accounts payable	<u>3,147</u>
NET ASSETS	
Invested in capital assets	28,970
Unrestricted	<u>130,395</u>
Total net assets	<u>\$ 159,365</u>

See notes to financial statements

Township of Wakeshma
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program revenues</u>			<u>Net (expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>revenues and</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>	<u>changes in</u>
Functions/Programs			contributions	contributions	Governmental
Governmental activities:					activities
Legislative	\$ 1,134	\$ -	\$ -	\$ -	\$ (1,134)
General government	76,066	16,791	-	6,792	(52,483)
Public safety	26,377	-	-	-	(26,377)
Public works	31,899	-	2,451	-	(29,448)
Community and economic development	<u>882</u>	<u>1,010</u>	<u>-</u>	<u>-</u>	<u>128</u>
Total governmental activities	<u>\$ 136,358</u>	<u>\$ 17,801</u>	<u>\$ 2,451</u>	<u>\$ 6,792</u>	<u>(109,314)</u>
General revenues:					
Taxes					43,966
State grants					96,193
Investment income					<u>7,715</u>
Total general revenues					<u>147,874</u>
Change in net assets					38,560
Net assets - beginning					<u>120,805</u>
Net assets - ending					<u>\$ 159,365</u>

See notes to financial statements

Township of Wakeshma
BALANCE SHEET - governmental funds
 March 31, 2007

	<i>General Fund</i>
ASSETS	
Cash	\$ 113,499
Receivables	4,250
Due from other governmental units	<u>15,793</u>
Total assets	<u>\$ 133,542</u>
LIABILITIES AND FUND BALANCE	
Liabilities - accounts payable	\$ 3,147
Fund balance - unreserved, undesignated	<u>130,395</u>
Total liabilities and fund balance	<u>\$ 133,542</u>
Total fund balance - total governmental funds	\$ 130,395
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.	<u>28,970</u>
Net assets of <i>governmental activities</i>	<u>\$ 159,365</u>

See notes to financial statements

Township of Wakeshma

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
governmental fund**

Year ended March 31, 2007

	<u>General Fund</u>
REVENUES	
Taxes	\$ 56,659
State grants	96,193
Charges for services	1,410
Interest and rentals	10,715
Other	<u>3,149</u>
Total revenues	<u>168,126</u>
EXPENDITURES	
Legislative	1,134
General government	73,798
Public safety	26,377
Public works	31,899
Community and economic development	<u>882</u>
Total expenditures	<u>134,090</u>
NET CHANGE IN FUND BALANCE	34,036
FUND BALANCE - BEGINNING	<u>96,359</u>
FUND BALANCE - ENDING	<u><u>\$ 130,395</u></u>
 Net change in fund balance - total governmental funds	 \$ 34,036
 Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Capital assets:	
Asset additions	6,792
Provision for depreciation	<u>(2,268)</u>
 Change in net assets of <i>governmental activities</i>	 <u><u>\$ 38,560</u></u>

See notes to financial statements

Township of Wakeshma
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Wakeshma, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The General Fund is the only fund utilized by the Township.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Wakeshma
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Township has one major governmental fund. The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	15 - 60 years
Equipment and vehicles	3 - 10 years

iv) *Fund equity* - In the fund financial statements, governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Wakeshma
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity (continued):*

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variations.

NOTE 3 - CASH:

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2007, \$19,072 of the Township's bank balances of \$119,072 was exposed to custodial credit risk because it was uninsured.

The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major fund are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 4,250	\$ 15,793	\$ 20,043

Township of Wakeshma
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 35,000	\$ -	\$ -	\$ 35,000
Equipment and vehicles	<u>8,846</u>	<u>6,792</u>	<u>-</u>	<u>15,638</u>
Subtotal	<u>43,846</u>	<u>6,792</u>	<u>-</u>	<u>50,638</u>
Less accumulated depreciation for:				
Buildings	(14,292)	(875)	-	(15,167)
Equipment and vehicles	<u>(5,108)</u>	<u>(1,393)</u>	<u>-</u>	<u>(6,501)</u>
Subtotal	<u>(19,400)</u>	<u>(2,268)</u>	<u>-</u>	<u>(21,668)</u>
Total capital assets being depreciated, net	<u>\$ 24,446</u>	<u>\$ 4,524</u>	<u>\$ -</u>	<u>\$ 28,970</u>

Depreciation expense was charged to the general governmental function of the Township.

NOTE 6 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Wakeshma
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 56,700	\$ 56,700	\$ 56,659	\$ (41)
State grants	97,000	97,000	96,193	(807)
Charges for services	1,500	1,500	1,410	(90)
Interest and rentals	4,704	4,704	10,715	6,011
Other	<u>2,826</u>	<u>2,826</u>	<u>3,149</u>	<u>323</u>
Total revenues	<u>162,730</u>	<u>162,730</u>	<u>168,126</u>	<u>5,396</u>
EXPENDITURES				
Legislative	<u>1,200</u>	<u>1,200</u>	<u>1,134</u>	<u>66</u>
General government:				
Supervisor	4,200	4,200	4,200	-
Election	2,810	2,810	2,032	778
Assessor	18,000	18,000	14,691	3,309
Clerk	7,860	7,860	7,855	5
Board of review	800	800	756	44
Treasurer	8,800	8,800	8,383	417
Hall and grounds	4,400	4,400	4,368	32
Cemetery	9,600	9,600	8,497	1,103
Other	<u>41,190</u>	<u>41,190</u>	<u>23,016</u>	<u>18,174</u>
Total general government	<u>97,660</u>	<u>97,660</u>	<u>73,798</u>	<u>23,862</u>
Public safety - fire	<u>26,400</u>	<u>26,400</u>	<u>26,377</u>	<u>23</u>
Public works:				
Highways and streets	27,770	27,770	18,946	8,824
Street lights	3,250	3,250	3,221	29
Drains	2,320	2,320	2,767	(447)
Recycling	<u>7,000</u>	<u>7,000</u>	<u>6,965</u>	<u>35</u>
Total public works	<u>40,340</u>	<u>40,340</u>	<u>31,899</u>	<u>8,441</u>

Township of Wakeshma
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 2,970	\$ 2,970	\$ 882	\$ 2,088
Total expenditures	<u>168,570</u>	<u>168,570</u>	<u>134,090</u>	<u>34,480</u>
NET CHANGE IN FUND BALANCES	(5,840)	(5,840)	34,036	39,876
FUND BALANCES - BEGINNING	<u>96,359</u>	<u>96,359</u>	<u>96,359</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 90,519</u>	<u>\$ 90,519</u>	<u>\$ 130,395</u>	<u>\$ 39,876</u>

**Members of the Township Board
Township of Wakeshma, Michigan**

In planning and performing our audit of the financial statements of the Township of Wakeshma as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Wakeshma's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Township of Wakeshma, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

August 8, 2007